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## IAP Target-Date Fund (TDF) – Member Choice Election

**Important: Read instructions before you complete and submit this form.**

### General Information

- The purpose of this form is to allow a member with a non-retired Individual Account Program (IAP) account to make an election to have their entire IAP account balance invested in a TDF of their own choosing.
- Mail or fax the form to PERS. You can also make a selection using Online Member Services (OMS).
- This form must be received by PERS by September 30 to be effective January 1 of the following calendar year. Your TDF election will remain in force until such time that a new election is made.
- Forms received after September 30 will be rejected. Altered or improperly completed forms will be rejected.
- A member is allowed **one TDF election per calendar year**. If more than one TDF election is submitted to PERS, whether by this form or through OMS, only the first election received by PERS will be deemed valid.
- Once a valid TDF election is received by PERS, it cannot be canceled.
- If a TDF election is determined to be invalid, the member’s IAP account will remain invested in its current TDF.

### What are Target-Date Funds (TDF)?

- Target-date funds are designed to age with you by automatically rebalancing fund investments from growth investments toward more conservative ones, as retirement nears. Learn full details at [www.oregon.gov/IAP](http://www.oregon.gov/IAP).
- Your default IAP TDF is based on your birth year and named for the date range when you might expect to retire.\*

BIRTH YEAR	IAP TDF	EXPECTED RETIREMENT DATE
In 1957 or earlier	Retirement Allocation Fund	2022 or earlier
Between 1958 and 1962	2025	2023–2027
Between 1963 and 1967	2030	2028–2032
Between 1968 and 1972	2035	2033–2037
Between 1973 and 1977	2040	2038–2042
Between 1978 and 1982	2045	2043–2047
Between 1983 and 1987	2050	2048–2052
Between 1988 and 1992	2055	2053–2057
Between 1993 and 1997	2060	2058–2062
In 1998 or later	2065	2063 or later

\*These dates do not dictate when you have to or will be eligible to retire.

### Section A: Member Information

- Fill in the personal information block in Section A completely. If you do not know your PERS ID, leave it blank.

### Section B: Target-Date Fund (TDF) Election

- In this section **clearly check one box only** to indicate the TDF you want your IAP account balance invested in, effective January 1 of the upcoming calendar year. Your TDF election will remain in force until such time that a new election is made.

### Section C: Acknowledgment Statements

- Read and acknowledge each statement in this section by **checking the box** and signing and dating in Section D.
- A form without the box checked in Section C will be rejected.

### Section D: Member Acknowledgment Signature

- Your acknowledgment signature and signature date is required. Forms without a signature will be rejected.



## IAP Target-Date Fund (TDF) – Member Choice Election

This form is strictly for PERS members with non-retired Individual Account Program (IAP) accounts.

### Section A: Member Information (Type or print clearly in dark ink. Illegible forms may be rejected.)

First name	MI	Last name	PERS ID (optional)
Mailing address (street or PO box)			Social Security number (SSN)*
City	State	ZIP code	Country
Home phone number	Work phone number	Cell phone number	Email (optional)

### Section B: Target-Date Fund (TDF)

**Check only one box.** Forms will be rejected if your selection is unclear.

Effective January 1 of the upcoming calendar year\*, I am selecting the following TDF for my IAP account to be invested in the following:

- Retirement Allocation Fund
- 2025       2040       2055  
 2030       2045       2060  
 2035       2050       2065



Scan this code to learn about IAP TDFs, how to make your choice online, and view your current IAP TDF.

\*Your form must be received by PERS by September 30 of the current calendar year for your TDF election to become effective January 1 of the upcoming calendar year.

### Section C: Acknowledgment Statements (Required - Acknowledgment box must be checked)

- By checking this box, I acknowledge that I have received and read the risk disclosure statements included with this form and:
- I understand I am only able to make one TDF election per calendar year;
  - I understand once I make this TDF election, it cannot be canceled;
  - I understand this TDF election must be received by PERS by September 30 to become effective January 1 of the upcoming calendar year and will remain in force until I submit a new TDF election;
  - I understand if this form is invalid, my IAP funds will remain in the TDF in which they are currently invested; and
  - I agree that the State of Oregon, the State Treasurer, the Oregon Investment Council, the Public Employees Retirement Board, the Public Employees Retirement System, and their officers or employees, are not liable in a civil action or otherwise, for any losses I may suffer because of my election of an investment option.

### Section D: Member Acknowledgment Signature

By signing below I certify I have read and accepted the acknowledgment statements above.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



**OREGON  
STATE  
TREASURY**

# **UNDERSTANDING IAP TARGET-DATE FUNDS AND MEMBER CHOICE**

## **WHAT'S INSIDE:**

- What's happening?
- What are target-date funds (the default investment for the IAP)? In which one is my IAP account currently invested?
- How do target-date funds work, and how does the investment mix differ for each IAP Target-Date Fund?
- Understanding the different investment groups: stocks, bonds and diversifiers
- Understanding YOUR risk tolerance
- Next steps

# WHAT'S HAPPENING?

PERS members will now be able to choose the IAP Target-Date Fund (TDF) in which they would like their Individual Account Program (IAP) account to be invested (as a provision of Senate Bill 1049). Since 2018, each PERS member has been invested in the default, age-based IAP Target-Date Fund that most closely aligns with the year the member was born, to better match the risk/return profile of each individual participant. This investment strategy recognizes that risk levels generally should become more conservative, to help protect against market fluctuations as members approach retirement.

**Between September 1 and September 30, 2020, and during member choice periods held by PERS in subsequent years, members will have the option to elect an IAP TDF other than the default (shown in the chart on page 3). If you make a change in 2020, it will take effect as of January 1, 2021, which means you most likely won't see the change reflected until you receive your spring 2022 annual statement. Changes made in 2021 will take effect on January 1, 2022, and so on. You may make only one change per calendar year during the specified election window, and you may allocate your account to only one IAP TDF.**

**You do not need to make a change at this time. If you do not make a change, your IAP account will continue to be invested in the default IAP TDF based on the year you were born.**

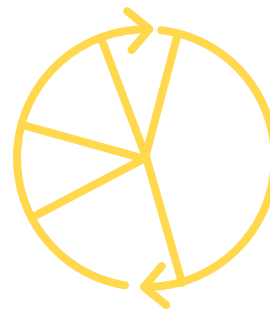
## WHAT ARE TARGET-DATE FUNDS?

A target-date fund typically has a year in its name; that year is near the year when you turn 65, which is generally when you may expect to retire and begin withdrawing from your account. A target-date fund adjusts its investments over time. If you're in your early working years, the emphasis of the fund is on growth in order to build savings. As you move toward retirement, the investments of the fund gradually evolve, becoming more conservative to help protect against market fluctuations—and it all happens automatically.

## TARGET-DATE FUNDS PROVIDE AN INVESTMENT STRATEGY THAT LASTS A LIFETIME

**1** CHOOSE THE DATE YOU EXPECT TO RETIRE

**2035**



**2** THE FUND WILL INVEST IN A MIX OF INVESTMENTS, INCLUDING BONDS (FIXED INCOME), STOCKS (EQUITIES) AND DIVERSIFIERS, AND AUTOMATICALLY ADJUST THEM OVER TIME

**3** YOU HAVE REACHED RETIREMENT

**2035** — \$ —>

Investing in target-date funds does not guarantee sufficient income at retirement.

## IN WHICH IAP TARGET-DATE FUND IS MY IAP ACCOUNT CURRENTLY INVESTED?

The chart below identifies the target-date fund that best corresponds to each birth year and expected retirement date. To determine the IAP Target-Date Fund in which your IAP account is currently invested, you can look at the chart below, log on to PERS Online Member Services, available from the PERS website at [www.oregon.gov/PERS](http://www.oregon.gov/PERS), refer to your annual statement sent each spring, or call PERS Member Services at 888-320-7377.

Birth Year	IAP TDF	Expected Retirement Date Range*
In 1957 or earlier	Retirement Allocation Fund	2022 or earlier
Between 1958 and 1962	2025	2023-2027
Between 1963 and 1967	2030	2028-2032
Between 1968 and 1972	2035	2033-2037
Between 1973 and 1977	2040	2038-2042
Between 1978 and 1982	2045	2043-2047
Between 1983 and 1987	2050	2048-2052
Between 1988 and 1992	2055	2053-2057
Between 1993 and 1997	2060	2058-2062
In 1998 or later	2065	2063 or later

\*These "target dates" do not dictate when you have to or will be eligible to retire.

# HOW DO TARGET-DATE FUNDS WORK?

Target-date funds with a longer time horizon invest primarily in stocks, emphasizing the opportunity to build wealth over the long term. Further, investors in these funds have more time for their investments to recover from market fluctuations.

As you move closer to retirement—and eventually into retirement—the fund automatically adjusts to a more conservative investment mix. When your fund reaches its target date (assuming a retirement age of 65), the fund's investment mix is approximately 60% defensively oriented strategies (defensive strategies aim for lower volatility) such as core bonds, Treasury Inflation-Protected Securities (TIPS) and short-duration bonds, and 40% growth strategies, including public and private stock, real estate, and other alternative investments.

Investments in target-date funds are not guaranteed against loss of principal; at any time, your account value can be more or less than the original amount you contributed—including at the time of the fund's target date. Also, investing in target-date funds does not guarantee sufficient income in retirement.

**IAP Target-Date Funds with a date furthest from today generally contain investments with more growth-oriented strategies (stocks), which means they also contain more risk.**

## HOW DOES THE INVESTMENT MIX DIFFER FOR EACH IAP TARGET-DATE FUND?

The investment mix in an IAP Target-Date Fund changes over time. The fund is monitored regularly, and its investment mix changes as the target date approaches. Each fund gradually shifts to an approach focused less on growth and more on wealth preservation.

The Oregon State Treasury (OST), under the direction of the Oregon Investment Council (OIC), has selected AllianceBernstein L.P. to help manage this custom series of IAP Target-Date Funds. The OIC determines the investment mix and the amount of the Oregon Public Employees Retirement Fund (OPERF) to be held within each IAP Target-Date Fund, after which AllianceBernstein designs the allocation to the remaining asset classes, which are listed below.

### What are the investments inside the IAP Target-Date Funds?

The investments inside each IAP TDF constitute a diversified mix of underlying investments, including stocks (international and domestic), bonds (core bonds, TIPS and short-duration bonds) and OPERF. The allocations by age and IAP TDF are listed in the chart on the next page. The following pages in this booklet further explain the role of each investment group in a portfolio.

## What are the investments inside OPERF?

OST, under the direction of the OIC, manages OPERF, which is a fund that comprises the following asset classes: public and private stock (equity), bonds, alternatives, and real estate.

Each IAP TDF is largely composed of OPERF. It's important to understand OPERF's composition when considering changing the IAP TDF in which your IAP account will be invested. Unlike that of the IAP TDFs, OPERF's composition does not automatically change over time, and a generally steady investment mix is maintained through the use of ranges with the target allocations for each investment class listed below.\*

### Current OPERF Target Allocations

#### Total (Stock) Equity: 50%

Public Equity: 32.5%

Private Equity: 17.5%

#### Total (Bond) Fixed: 20%

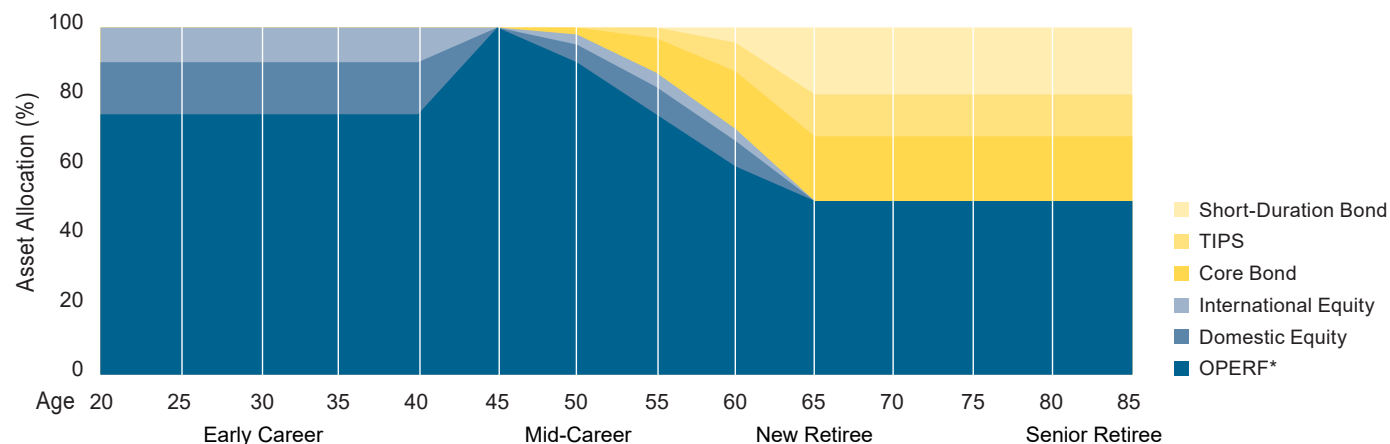
#### Total Alternatives/Diversifiers: 30%

Risk Parity: 2.5%

Real Estate: 12.5%

Alternative Investments: 15%

## IAP TARGET-DATE INVESTMENTS BECOME MORE CONSERVATIVE OVER TIME



## ASSET ALLOCATION SHIFTS OVER TIME†

Age	Early Career				Mid-Career				New Retiree			Senior Retiree	
	25	30	35	40	45	50	55	60	65	70	75	80	85
<b>Target-Date Fund</b>	<b>2060</b>	<b>2055</b>	<b>2050</b>	<b>2045</b>	<b>2040</b>	<b>2035</b>	<b>2030</b>	<b>2025</b>	<b>Retirement Allocation Fund</b>				
<b>OPERF</b>	75.00%	75.00%	75.00%	75.00%	100.00%	90.00%	75.00%	60.00%	50.00%	50.00%	50.00%	50.00%	50.00%
<b>Domestic Equity</b>	15.00	15.00	15.00	15.00	–	5.10	7.90	7.35	–	–	–	–	–
<b>International Equity</b>	10.00	10.00	10.00	10.00	–	2.90	4.10	3.45	–	–	–	–	–
<b>Core Bond</b>	–	–	–	–	–	2.00	9.95	16.55	18.65	18.65	18.65	18.65	18.65
<b>TIPS</b>	–	–	–	–	–	–	3.05	8.30	12.05	12.05	12.05	12.05	12.05
<b>Short-Duration Bond</b>	–	–	–	–	–	–	–	4.35	19.30	19.30	19.30	19.30	19.30

\*For the most up-to-date OPERF allocations, please refer to the OPERF investment section on the OST website.

†The investment mix of the IAP Target-Date Funds is subject to change and is current as of October 2020. The above glidepath and investment mix table represent the goal allocations for each IAP TDF; for more detailed information, please refer to the IAP TDF quarterly fact sheets which can be found on the IAP investment section of the OST website.

# UNDERSTANDING THE DIFFERENT INVESTMENT GROUPS

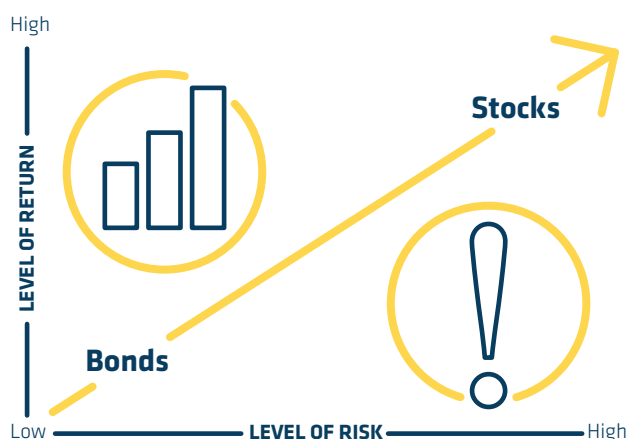
## Stocks, Bonds and Diversifiers

### MANAGE RISK BY DIVERSIFYING



As you're thinking about the different investments inside the IAP Target-Date Funds, or any portfolio, it helps to see how stocks and bonds have behaved throughout history. Stocks have provided better investment returns than bonds over long periods. On the other hand, stocks have historically produced higher highs and lower lows than bonds over shorter periods. Stocks generally offer higher growth potential, but they can also rise and fall often and by substantial amounts—this greater volatility means higher risk. Bonds are typically more stable and not as risky, but they generally don't have the high growth potential of stocks.

### FINDING THE RIGHT BALANCE

Knowing the amount of risk you can handle is essential to achieving the right mix of stocks, bonds and other investments for your retirement account. An individual with a higher risk tolerance may accept greater market volatility in exchange for richer potential returns. An individual with a lower risk tolerance may be willing to give up some potential return in favor of investments that attempt to limit return fluctuations.



### HERE'S A QUICK LOOK AT HOW THE TWO ASSET CLASSES HAVE PERFORMED DURING THE PAST 30 YEARS.<sup>1</sup>

	BEST YEAR 1997	WORST YEAR 2008	30-YEAR AVERAGE 1/1/1990-12/31/2019
	<b>33%</b>	<b>-37%</b>	<b>10%</b>
	<b>12%</b>	<b>-2%</b>	<b>6%</b>

<sup>1</sup>Chart illustrates the period from January 1, 1990, through December 31, 2019.  
Source: AB



## WHAT ARE DIVERSIFIERS?

Diversifiers are nontraditional assets that provide exposure to different groups of investment opportunities. They are complementary assets that sometimes include real assets, real estate, currency, alternative stocks and alternative bonds. The benefit they bring is that they behave differently from traditional stocks and bonds, and these different return patterns can help further diversify a portfolio. Some diversifiers are particularly helpful when inflation is higher, because they tend to fare better than financial assets. For example, TIPS are specifically designed to provide inflation protection.

The IAP Target-Date Funds that have a larger allocation to diversifiers (which are embedded inside the OPERF investment sleeve) have a larger allocation to OPERF. The IAP 2045 Target-Date Fund has the largest allocation to OPERF, so that IAP TDF would have the largest allocation to diversifiers and a greater growth and risk profile than, say, the Retirement Allocation Fund. Again, diversifiers tend to behave differently from traditional stocks and bonds and are especially important in times of market volatility to help smooth out returns over time.



ENERGY



COFFEE



PRECIOUS METALS



REAL ESTATE

## UNDERSTANDING YOUR RISK TOLERANCE

How comfortable are you with risk? How do you react to large ups and downs in the market? How much time do you have before you retire? And how long do you need your savings to last?

Understanding your risk tolerance depends on your personal circumstances. **These sample asset allocations are illustrations and should be used as examples only.** When thinking about applying a particular asset-allocation model to retirement investing, you should consider your other assets, income and investments (e.g., equity in a home, IRA investments, savings accounts, and participation in other qualified and nonqualified plans) in addition to any investment in this plan. There can be no assurance that any investment objectives will be achieved.

That said, you may have a personal circumstance where you may want to take more or less risk with your account.

Each IAP TDF contains different amounts of stocks, bonds and diversifiers that change over time. Each of these asset classes holds different risks. Members may have personal reasons for wishing to take more or less risk when saving for retirement. As a reminder, if you would like your account to be exposed to more growth and risk opportunities (which also means the IAP TDF that has a greater allocation to stocks and diversifiers), you would select an IAP TDF whose target date is further away from the present day, such as the IAP 2055 Target-Date Fund. Please refer to the table on page 5 for investment allocations.

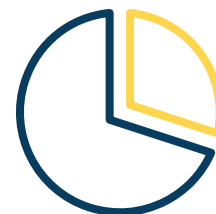
HIGHER RISK/RETURN



MEDIUM RISK/RETURN



LOWER RISK/RETURN



● Stocks ● Bonds

# NEXT STEPS

## THE BOTTOM LINE

The IAP Target-Date Funds that have a larger allocation to growth investments (stocks) are generally more risky than those that have a higher allocation to bonds. So, an IAP TDF whose target date is further away from the present day, such as the IAP 2060 Target-Date Fund, would have higher potential growth and risk because of its higher allocation to stocks versus the Retirement Allocation Fund, which has reached its most conservative investment mix.

## IT'S YOUR CHOICE:

### STAY WHERE YOU ARE

The default IAP Target-Date Fund in which you are currently invested was set forth using industry best practices and reflects an investment mix with portfolio risk based on your age bracket. If you agree with this approach and want to stay in your current IAP TDF, no action is required.

### MAKE A CHANGE

If you decide to choose a different IAP TDF from the default IAP TDF in which your IAP account is currently invested, please read this material and weigh your decision carefully.

If you decide you want your IAP account to be invested in a different IAP Target-Date Fund from the default IAP TDF based on your year of birth, you will have to certify, as part of the PERS Member Choice application, that you read this document to learn about the Oregon Investment Council's IAP TDF investment strategy and considered the risk and return characteristics of your IAP TDF. You also agree that the State of Oregon, the State Treasurer, the Oregon Investment Council, the Public Employees Retirement Board, the Public Employees Retirement System, and their officers or employees, are not liable in a civil action or otherwise, for any losses suffered by you because of your election of an investment option.

Investments in the target-date funds are not guaranteed against loss of principal; at any time, your account value can be more or less than the original amount you contributed—including at the time of the fund's target date. Also, investing in target-date funds does not guarantee sufficient income in retirement.

### IMPORTANT INFORMATION

The IAP Target-Date Funds are not offered for sale to the general public. Each IAP Target-Date Fund is a separate account that invests in a set of underlying collective investment trusts and the Oregon Public Employees Retirement Fund (OPERF). Separate accounts are not mutual funds, and interests in the IAP Target-Date Funds are not deposits of AB Trust Company, LLC or any AB affiliate and are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other agency. The IAP Target-Date Funds are exempt from investment company registration under the Investment Company Act of 1940, and purchases and sales of interests in the IAP Target-Date Funds are not subject to registration under the Securities Act of 1933. Management of the Funds, however, is generally subject to the rules and regulations applicable to registered investment advisors, and to applicable state laws. AB provides asset-allocation advice for the IAP Target-Date Funds.

**A Word About Risk**—Each IAP Target-Date Fund allocates its investments among multiple asset classes, which will include US and foreign securities, as well as equities and fixed-income securities. Within each of these, the underlying investment options will invest in different types of securities, such as growth and value stocks, and corporate and US government bonds. The prices of small-cap stocks and mid-cap stocks are generally more volatile than are those of large-cap stocks. International investing involves risks not associated with US investments, including currency fluctuations and political and economic changes. The investment option systematically rebalances its allocations in these asset classes to maintain their target weightings. There can be no assurance that rebalancing will achieve its intended result, and the costs of rebalancing may be significant over time.

While diversification and shifting to a more conservative investment mix over time help to manage risk, they do not guarantee earnings growth. There is the potential to lose money in any investment program. You do not have the ability to actively manage the investments within a target-date fund. The fund managers control security selection and asset allocation.